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National Irish Bank: Coping with a Crisis and Beyond

Gerard Mortimer
Technological University Dublin, gerard.mortimer@tudublin.ie

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NATIONAL IRISH BANK
COPING WITH A CRISIS AND BEYOND[1]

Gerry Mortimer

As March 1998 drew to a close, management at National Irish Bank (NIB) would have been forgiven for believing that the bank's situation could not get any worse. The bank had just issued a robust defence of its position in relation to an off shore bond scheme which had been the subject of much media and political debate for the previous two months. In particular, it had severely criticised RTE, the state owned television and radio corporation, and the two RTE journalists who had broken and dominated the story.

However, on March 25th, the same two journalists, Charlie Bird and George Lee, exposed a new damaging story on NIB. They claimed to have discovered that the bank had been overcharging interest and other charges on small businesses and personal accounts at 5 named branches of NIB. By mid morning, those branches, and others of NIB, were under siege by unhappy account holders and journalists.

At the corporate headquarters of NIB's parent, National Australia Bank (NAB), directors would soon become aware of yet another unwanted story involving its Irish subsidiary. In Ireland's booming economy, an apparently shrewd purchase of NIB by NAB in 1987 was looking increasingly sour.

ORIGINS OF NATIONAL IRISH BANK

National Irish Bank had been established as Northern Bank more than a century ago. As its name implied, it was a regional Irish bank which had most of its operations in the northern part of Ireland. When Ireland was partitioned in 1922, six northern counties had remained within the United Kingdom, while the remaining 26 counties became the Irish Free State

1 This case was developed as a basis for class discussion, rather than to illustrate either effective or ineffective handling of an administrative situation. It was developed from material in the public domain.

and, eventually, the Irish Republic. The bulk of Northern Bank's business was on the northern side of the new border, though the bank did have a presence in southern border counties such as Leitrim and Cavan. As these, and other, border counties were, for decades, among the most disadvantaged areas of the Irish Republic, Northern Bank was not a significant player south of the border. In Northern Ireland, it held a dominant position with an estimated 40% market share. The population of Northern Ireland, at 1.5 million, was less than half of that of the Irish Republic of 3.5 million. Northern Ireland was much more heavily industralised than the Republic with major industrial sectors in shipbuilding, engineering and textiles. The Irish Republic, with its agriculture dependent economy and high levels of emigration, would not have been seen as an attractive market by the Northern Bank, or its great rival, Ulster Bank.[2] In any event, several other regional banks dominated the banking sector on the rest of the island.

Huge changes swept through Ireland from the late fifties onwards. New policies were introduced to encourage economic growth. Foreign manufacturing industry was actively encouraged to establish in Ireland with capital and tax incentives. The 1966 Free Trade Agreement with the UK ended an era of protectionism which had been a cornerstone of Irish policy for more than 40 years. This agreement paved the way for the entry of Ireland, together with the UK and Denmark, to the European Community in 1973. While some traditional industries, which had prospered in the era of protectionism, suffered, the Irish economy grew rapidly throughout the sixties and early seventies. Emigration reduced considerably and, in fact, in several years, there was net migration into Ireland. Banks were not immune from this change. A series of mergers and takeovers in the banking sector during this time led to the creation of two major banking groups in the Irish Republic, Allied Irish Bank (AIB) and Bank of Ireland. Just as Northern Bank and Ulster Bank had limited presence in the Irish Republic, so

2 Ulster was, historically, Ireland's most northerly of four provinces. It comprised the six counties of Northern Ireland and three counties, Cavan, Monaghan and Donegal, which had become part of the Irish Republic in 1922.

also AIB and Bank of Ireland had limited presence in Northern Ireland. The economies of the two parts of the island operated almost totally independently of each other with relatively little trade between the two.

This was further underlined by the outbreak of conflict in Northern Ireland in 1969. This conflict, known as 'the troubles' was to last almost 30 years and would have a significant effect on the economy of Northern Ireland. With bank consolidation prevalent, both Northern Bank and Ulster Bank were taken over by larger UK based banks. Northern became part of the Midland Bank and Ulster became part of NatWest.

Ulster Bank had always had a larger presence than Northern in the Irish Republic with about 8% market share. Under its new parentage, Northern Bank set out to expand aggressively into the south. Its tactics of major expansion of the branch network to large cities and towns in the Republic and, in particular of targeting suitable sectors and accounts, horrified the rather complacent world of the existing larger players and were deemed in the early seventies as 'ungentlemanly' and 'not the done thing.'

Northern Bank succeeded, to some extent, in growing its share of the market in the Irish Republic though it never appeared to go higher than the current estimated level of 3%. However, in a market where margins were good, the economy was growing strongly and technology had yet to revolutionise the industry, it was possible to generate an acceptable return on investment with such a small share.

Two major recessions changed the situation totally. The first recession, in the mid seventies, was triggered by the international oil crisis, which hit all western economies. Ireland recovered strongly from that crisis but suffered again in the early eighties. The second recession also had its origins in an oil crisis. However, it was exacerbated by economic mismanagement and by a subsequent failure to deal with the root causes of that mismanagement. The Irish economy struggled through much of the eighties and early nineties before overcoming its problems and resuming rapid growth.

However, for Northern Bank's parent, Midland Bank, the Irish economy was a mere sideshow to its own problems. Midland had purchased a US based bank, Wells Fargo and had been experiencing serious financial difficulties as a result. In 1987 it began to offload businesses not seen as core. Among these were Northern Bank and Clydesdale Bank in Scotland.

National Australia Bank (NAB) purchased both and later added Yorkshire Bank, based in Northern England to its portfolio. This, and other surgery, failed to preserve Midland's independence and it was subsequently taken over by the Hong Kong and Shanghai Bank Corporation (HSBC).

National Australia Bank moved quickly to reorganise its Irish operations. It separated the Northern Ireland and Irish Republic operations with each reporting to corporate HQ. It renamed the Irish Republic operation National Irish Bank and appointed a new young chief executive, Jim Lacey. NAB had a reputation for adopting an aggressive marketing approach. This philosophy was to be passed on to NIB. Many senior managers in both Irish operations found the new approach difficult to accept and either left the banks, or retired, leaving largely new management teams in place.

THE DEVELOPMENT OF NATIONAL IRISH BANK

Jim Lacey and his management team set out to grow NIB's market share. It was the policy of its parent to seek a minimum of 10% share in any market in which it operated. NIB's relatively small size in the Irish market meant that it could not match the larger players in key financial ratios. Its return on assets was below 1% against the 1.15% to 1.25% of AIB and Bank of Ireland. Also its cost/income ratio was higher than most of its competitors again reflecting its high fixed cost base. The following table illustrates the positions of three of the small banks in 1994.

	NIB	ULSTER	TSB
Assets	£1100m	£3100m	£1230m
Pre Tax Profit	£14.6m	£62m	£15.1m
No of branches	57	98	72
Employment	823	1700	1100
Cost/income ratio	63%	57%	71%

NIB's options were to grow organically or through acquisition. It sought to achieve the former through a greater focus on business banking and through raising its profile. An example of the latter was its willingness to preempt or react quickest to any downward changes in interest rates announced by the Irish Central Bank. This usually afforded the bank valuable publicity. Acquisition possibilities began to emerge in the early nineties when the Irish government indicated that it might consider selling some or all of the banks which it controlled. The three banks effectively owned by the state, TSB, ACC Bank and ICC Bank, all had small market shares and were not considered to be viable in the longer term. TSB was an amalgamation of a number of smaller savings banks. ICC Bank and ACC Bank had been set up several decades earlier to provide long term credit for industrial and agricultural customers respectively. While all three banks had broadened their customer base in recent years, each still relied to some extent on their original niches of small savers, agriculture and industrial development. All three banks realised that they would need to develop new linkages. One of the options mooted was the merging of all three state banks to create what became known as 'the third force' after AIB and Bank of Ireland. TSB was keen on a link up with NIB while ACC Bank was proposing a takeover by an overseas bank, possibly Credit Agricole, one of the largest banks in France.

NIB entered a due diligence process with TSB and subsequently made an offer in excess of £100 million for TSB. Ulster bank indicated a willingness to exceed NIB's offer subject to due diligence. NIB raised its offer to £125 m and seemed certain to takeover TSB. Suddenly, and without apparent warning, NIB dismissed Jim Lacy in 1994. Lacy had come to general public notice in 1993 when he was kidnapped and held for ransom. He faught the dismissal but eventually settled for a substantial payment believed to be in the region of £750,000 and resigned his position. It was speculated that the new merged bank was to be headed not by Lacy but by the Chief Executive of TSB and that this had precipitated the decision to dismiss Lacy. The government of the day stalled on the sale of TSB and commissioned reports to look at the options for all three state banks. No conclusions had been reached by the time the government fell in 1995. The new government was less disposed towards a sell off of state assets and little progress of substance was made. All three banks in the control or ownership of the state were improving their results, due principally to a booming economy. By 1998, each would have increased in value due to improved profitability and a higher P/E rating for bank shares generally. NIB, and its parent company, NAB, regularly expressed its frustration at the slow pace of developments. However, in January 1998, NIB began to make headlines for all the wrong reasons.

THE FIRST CRISIS

Early in January, the two RTE reporters broke a story that NIB had sold offshore bonds operated by Clerical Medical International in the tax haven of the Isle of Man. It appeared that existing NIB customers were targeted for the bonds by the NIB salesforce.

The clear inference was that the customers were seeking to evade tax on their investment. The source of the money used to purchase the bonds might also be questioned though that would be a matter between the customer and the Irish tax authorities. There was also some indication that customers retained some access to their funds through NIB. A total of £50m was believed to have been involved with several hundred different accounts. The story ran over several days and was deeply embarrassing for NIB. The story developed additional newsworthiness when it emerged that a key NIB employee involved was Beverly Cooper-Flynn. Ms Cooper-Flynn had resigned from the bank having been elected as a member of parliament in 1997. She was the daughter of Padraig Flynn a well known, colourful and, sometimes controversial, politician. Mr Flynn had resigned his government positions and his parliamentary seat in 1994 when appointed a Commissioner of the European Community. His daughter had failed to win the subsequent by election but had been elected at the next general election in 1997. The Chief Executive of TSB was reported as saying that there would now be no deal with NIB.

The government established an enquiry into the circumstances of the bonds sale. In fact, by March, there were four formal enquiries taking place. The Central Bank of Ireland, the

Irish Tax Authorities, the Government Department of Enterprise and Employment and NAB's European Audit team, were all investigating the NIB 'scandal' as it became known. These had only commenced their work when the second crisis hit NIB. Angered by the constant drip feed of allegations arising from the bonds sale, NIB issued a statement on March 24th which was highly critical of RTE and the two reporters principally involved. In it they accused the reporters and RTE of dealing in stolen internal documents. NIB employed one of the country's leading consultancy firms on an ongoing basis. There is no evidence that the PR agency was involved. However in view of earlier press releases it seems unlikely that the PR agency would not, at least, have been consulted. The following extract illustrates the bank's position.

> 'Our own investigations had found areas which gave rise to concern. However, sweeping generalisations made against the bank, on the basis of selective information, had not been substantiated. The bank had been pilloried and harassed by RTE on an almost daily basis'

Far from being dissuaded from further coverage of the story, the reporters turned their attention to a different issue and on a television current affairs programme, Prime Time on March 25th they made new and damaging allegations against NIB.

THE SECOND CRISIS

As previously noted, this centred on a claim that NIB managers in five separate branches had loaded additional interest on customers' accounts without their knowledge. It was claimed that internal audits had discovered the practice which covered much of the late eighties and early nineties. The practice was stopped at the insistence of senior management in NIB including, apparently, the then Chief Executive, Jim Lacey. However, no staff were disciplined and no money was refunded to those affected.

The story immediately received wide coverage in all media. The coverage was highly critical of NIB. Politicians and media called for enquiries into the operation of the bank. An emergency government cabinet meeting was held. A statement was issued expressing 'grave concern' and promising use of 'appropriate powers' of the state. It was claimed that the policy of loading interest was motivated by pressure from senior managers on branch managers to grow their business and improve fee income. It was apparent that one or more ex-employees of NIB was being used as a source by RTE for its allegations and that it had documents to support its case.

NATIONAL AUSTRALIA BANK

NAB is the largest bank in Australia with an estimated market share in that country of 20%. It has its headquarters in Melbourne. It has extensive overseas interests which account for more than 50% of its assets. Outside Australia, its principal areas of activity are in the midwest and southwest of the USA where it owns a number of small banks and mortgage corporations. It also has Asian interests and owns a bank in New Zealand. In Europe, its major interests are in UK and Ireland. As previously noted, in the UK it owns Clydesdale Bank in Scotland, Yorkshire Bank in England and Northern Bank in Northern Ireland. Each is a traditional branch based bank. None of its UK subsidiaries held substantial market share in the UK as a whole though each was strong in its region. Overall in its most recent financial year NAB reported net profits of IR£1000million. NIB reported profits of £16million for the same period. NAB is approximately double the size of Ireland's largest bank, AIB.

THE IRISH BANKING MARKET IN 1998

The two major banks in Ireland, AIB and Bank of Ireland, continued to dominate the Irish banking market as they had done for several decades. Both were independent concerns quoted on Dublin and London Stock Exchanges. AIB was the larger, with an estimated value of IR£8 billion as against IR£6 billion for Bank of Ireland. However, Bank of Ireland was slightly larger in an Irish Republic Market context. For example its share of the current account market in 1997 was 42% against 37% for AIB. Similarly its share of the bank savings account market was at 44% against 41% for AIB. These indicators probably reflected overall share in the banking sector with Bank of Ireland just above 40% and AIB just below.

AIB's greater capitalisation reflected its more important interests outside the Irish Republic. AIB had 20% market share in Northern Ireland with its subsidiary, First Trust, which was an amalgamation of its own small branch network and its purchase of the Northern Ireland Trustee Savings Bank. AIB also had a small presence in the rest of the UK and a controlling interest in a bank in Poland. However, its major overseas interest was its ownership of First Maryland Bank in the US. This purchase and subsequent other purchases in the same region had resulted in AIB owning a substantial and successful regional bank which contributed a significant proportion of AIB's overall profit. Overall some 60% of AIB's net profit of £580m in 1997 was earned outside the Irish Republic.

Bank of Ireland also possessed overseas interests though these were less extensive. It had, relatively recently, purchased the Bristol and West Building Society in the UK for some £600m. It also had branch interests in the UK. It had also followed AIB into the US market though with much less success. It had concentrated its efforts in New Hampshire, purchasing a bank there in the eighties. It had expended large sums to stem major losses there and had eventually sold most of its interest retaining only a minority share.

Ulster bank was in third position in the Irish market with an estimated market share of about 8%. In what was regarded as the traditional banking sector, remaining market share was held by NIB, TSB, ICC, ACC and Anglo Irish each with 2-3% of the market. As previously noted only NIB could be seen as competing in all sectors of the industry. TSB largely offered services to consumers at the less affluent end of the market. This is reflected in its estimated share of 10% of savings accounts in the bank sector and 7% of current (checkbook) accounts as compared to its overall share of less than 3%. Share was determined by the total volume of business.

ICC Bank and Anglo Irish Bank focussed mainly on smaller businesses. ACC Bank had developed as a provider of finance to the farming and agri-business sectors, though in recent years, it had developed into a broader based bank.

Clearly, the traditional banking sector could not be viewed in isolation. Many of the services provided by Irish banks were also provided by other types of institutions. For example, in a survey by MRBI for Irish Permanent, it was established that 38% of the population aged 15+ held a savings account with a credit union. Credit unions, which were non profit organisations typically based around a geographical area, employment type or place of work, offered both savings and loan facilities. Normally, the amount one could borrow from a credit union was closely related to one's savings record. There were several hundred credit unions in Ireland. They had developed rapidly in recent years and had come together under an umbrella group, Irish League of Credit Unions. Together, they had, assets in excess of £2.6billion, more than double those of NIB. New legislation in 1997 had allowed credit unions greater freedom to operate and had caused concerns for existing banks which considered that there was unfair favourable treatment for credit unions, particularly in the area of tax treatment of deposits. Another major sector was that of building societies. These had been established as mutual organisations, mostly in the 19th century, comprised of groups which had formed to provide long term finance for house purchase. Ireland had the second highest rate of home ownership in the developed world with only New Zealand having a higher rate. Change had also come to the building society sector in recent years. Of the major societies, Irish Permanent, the largest, had already demutualised and was now a quoted PLC. ICS Building Society was effectively controlled by Bank of Ireland. Of the other three societies of any significance, First National had already announced its intention to demutualise in 1998. Irish Nationwide was known to be interested in changing its status but realised that it was probably not of sufficient size to go the PLC route alone. However, legislation which allowed demutualisation, also prohibited any one shareholder from owning more than 15% of a new PLC for five years after demutualisation. The principal arguments in favour of demutualisation were access to new capital and the ability to compete more directly with banks on a broader basis.

EBS was the only major building socieity which had deliberately and publicly opted to remain mutual. It argued that its very mutuality benefited both its savers and its borrowers as it did not have shareholders to serve.

All the current or demutualised building societies operated an extensive network of, mostly, small branches and agencies

throughout the country with the exception of ICS which appeared to becoming more directly absorbed into Bank of Ireland.

The principal activities of these branches were for handling of savings accounts and the issuing of mortgages. Increasingly the latter was being undertaken by phone and through the head office. Most building societies had cooperated in recent years with the establishment of ATMs which recognised each others customers cards. The share of the Irish mortgage market based on a MRBI survey is illustrated below. Banks had, increasingly, entered this market and developed significant share in recent years.

	Market share %
Irish Permanent	21
Bank of Ireland/ICS	17
AIB	14
First National	14
EBS Building Society	11
Irish Nationwide Building Society	6
TSB	3
Irish Life Assurance Co	3
NIB	2
ACC Bank	2
Others	7

Telephone banking had made some limited inroads on the Irish market. However, in virtually all cases, the businesses had been established by existing players in the market. The first, and still most important, was Premier Banking, which had been developed by Bank of Ireland. It was deemed a success, due to its low cost base. However its market share was small.

Thus it can be seen that the Irish banking market continued to be dominated by the well established players offering their services through traditional routes though the ways in which customers accessed their banking facilities were moving towards more electronic methods. Banks were keen to encourage this trend as it was recognised that provision of face to face high street branch services was expensive. Whether such change would be evolutionary or revolutionary remained to be seen.

THE IRISH ECONOMY IN 1998

The Irish economy had boomed through much of the nineties. Industrial output had doubled between 1992 and 1998. Economic growth as measured by Gross National Product (GNP) and Gross Domestic Product (GDP) had reached and sustained unprecedented levels. GNP was regarded as the more accurate of the two measures as it factored out repatriation of profit by multinational corporations. GNP had grown by 8.3% in 1996, 7.7% in 1997 and was confidently forecast to grow by up to 10% in 1998. These growth rates were considered unsustainable in the longer term without inducing major inflationary pressures. However it was regarded as remarkable that the economy had grown strongly for several years without experiencing significant upward pressure on inflation. Ireland had comfortably met the criteria for entry into the new single currency for the European Union which would come into effect at the beginning of 1999. These criteria related to the following:

- Inflation rates 'an average rate of inflation...that does not exceed by more than 1.5 percentage points that of, at most, the three best performing Member States in terms of price stability;'
- Interest rates: 'a Member State has had an average nominal long-term interest rate that does not exceed by more than two percentage points that of, at most, the three best performing Member States in terms of price stability;'
- Exchange rates: 'the observance of the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other Member State';
- 'the sustainability of the government financial position'. As judged by the following two measures:

  Budget deficit: 'the ratio of the planned or actual government deficit to gross domestic product at market prices' cannot exceed '3%'.

  National debt: 'the ratio of government debt to gross domestic product at market prices' cannot exceed '60%'.

SOURCE: MAASTRICHT TREATY as cited in Principles of Economics by Turley and Maloney

The one criterion which was causing some concern was Irish inflation, which, though below 3%, was beginning to drift upwards relative to the criteria used.

Ireland would join the new currency union with 10 other European Union members. The other members would be France, Germany, Italy, Belgium, Holland, Luxembourg, Spain, Italy, Austria and Portugal. UK, Sweden and Denmark had opted not to join in the short term, while Greece was not deemed to have met the criteria. The single currency, the Euro, would replace all participating currencies by 2002.

Ireland's fast growing economy was driven by two major factors. One of these was the growth in exports of multinationals. The top 20 exporters accounted for 36% of Irish exports which in turn accounted for 80% of Irish GNP. Of the top 20, 10 are multinationals, while the remainder are long established food and drink companies.

The second major factor was the dramatic growth in the service economy. This was also fuelled by MNCs in financial services and call centres and by the growth in tourism.

The growth was made possible also by demographic factors. There had been a large population bulge in the sixties and seventies and this group were now swelling the labour market. A high proportion were well educated and suited to employment in the growth sectors. There was also a major increase in women reentering the workforce. Now, with a falling child population and a rapidly growing workforce, Ireland's dependency ratio was the lowest in Europe. Unlike other European countries it was still falling and was not expected to level out until well into the next century. This suggested that the Irish economy could still grow relatively rapidly for the next several years. In the long term, economists were indicating potential GNP growth of 5% arising from an annual 2% growth in the workforce and a 3% growth in productivity.

Inevitably, due to the openness of the Irish economy, it would be subject to external changes. The Irish economy was relatively insulated from direct involvement with growing economic problems in Asia. However, problems in Europe or the US could have a significant impact. Closer to home, Ireland continued to rely to an important, though declining, extent on trade with the UK. The UK took over 20% of Irish exports and a much higher proportion of indigenous exports. The UK currency, sterling, had been very strong of late and in March 1998 stood at a 5 year high of about Ir£1=£0.85Stg. Sterling had been at a low of Ir£1=£1.10 Stg. during that 5 year period. Irish exporters were benefitting greatly from the high value of sterling. As previously noted, UK was not participating in European monetary union and sterling would continue to float against the new Euro after January 1999. However, as will be illustrated below, the arrival of the Euro would have significant effects on the profits of Irish banks.

IRISH BANKING AND THE FUTURE

There were a number of major factors likely to effect the operations of Irish banks in the future. These can be summarised under a number of headings.

Technology

It is clear that technology is a key factor. Developments such as Internet banking and computer telephoning integration can greatly improve access and services to customers. Such developments can have a global reach and can also reduce or eliminate the need for a local physical presence in each market. It could also facilitate the entry of new low cost providers.

New Forms of Competition

The Irish banking market has remained, largely, the same for decades. There has been some blurring at the edges. However most of this has resulted from the major banks offering other services rather than other service providers entering banking. For example, each of the two largest banks, AIB and B of I have established life assurance subsidiaries, each of which has become a significant player in the Irish market. On the other hand, no assurance company has developed any presence in the banking market. Irish Life, the largest life assurance company in Ireland, has shown interest in some of the smaller banks, particularly since the appointment of a new chief executive who had been previously chief executive of Ulster Bank. This contrasts with the developments in the UK market where the blurring of offerings between service providers has widened the market considerably. This is illustrated in the table shown in

the appendix. Extracted from the Time newspaper, it illustrates the response to a phone request to 19 banks and building societies asking to deposit £1000. Of the 19, Tesco, Safeway and Sainsbury are all banks owned and operated by supermarket groups. Egg has recently been established by Prudential Assurance. Standard Life is also an assurance company. Halifax, C & G, Britannia and Woolwich are all originally building societies, which have demutualised. Bristol and West is owned by Bank of Ireland and Yorkshire owned by NAB. The traditional 'big 4' clearing banks are Barclays, Midland, Nat West and Lloyds TSB. Nationwide and Bradford and Bingley continued as building societies though they were under pressure to demutualise.

Other evidence of widening competition is illustrated by the recent arrival in Ireland of MBNA. It is one of the largest credit card providers in the world and concentrates exclusively on that sector. This sector, in Ireland, has, hitherto, been the presence of the main banks.

European Monetary Union

The arrival of the Euro in 1999 will significantly affect the banking sector. It will, for example, eliminate bank profits from trading in many currencies. The individual currencies will, in any event, disappear in 2002. However, in the meantime, banks have been instructed to offer standard full rates on currency exchange. Thus Ir£1 will equal 2.48dms. It has been estimated that some banks could lose up to 10% of their profits as a result of the change. For Irish banks the effect may be less serious in the short term give that the UK is not joining. However, pressure to price products in Euros in the UK may become overwhelming. In any event, the UK may join in the future.

The other major effect of the Euro is likely to be on interest rates and the availability of loans. By definition, interest rates will have to converge in the new system. While there may still be variations for small loans and deposits depending on such factors as risk, customers, particularly larger customers, will be in a position to shop around for the best deal. Traditionally, margins (the difference between the average rate of interest charged and paid by a bank) have been higher in Ireland, though they have been narrowing in recent years. European banks have always operated on lower margins. Typical average margins might be in the range of 1.5% to 2.5%. Margins on smaller loans and those with a perceived higher risk tend to be higher. There was much discussion taking place about likely consolidation of the estimated 14,000 banks in Europe.

National Irish Bank would be National Australia Bank's only subsidiary in the Euro Zone. As the unfavourable media coverage continued apace at the end of March 1998, it was clear that both short and long term decisions would need to be taken by National Irish Bank and by its parent, National Australia Bank.

APPENDIX

SHOPPING AROUND FOR A BETTER SAVINGS SERVICE

* on instant access		Number of rings	Wait in queue	Man or machine	% rate for deposit of £1000*	What they call you	Level of service	Quality of advice	
Tesco	0345 104010	1	–	machine, person	6.75	–	Average	Average	Friendly and efficient
Safeway	0800 995 995	1	–	machine, person	7.5	–	Average	Average	Cold but helpful
Sainsbury's	0500 405 060	1	–	person	6.75	Madam	Excellent	Excellent	Friendly but not familiar
Egg	0845 0399 399	1	–	machine	8/7.5	–	Could improve	Could improve	A very cheerful machine recording
Standard Life	0345 555 657	2	–	person	7.35	–	Excellent	Excellent	Efficient and warm
Halifax	0345 263 646	2	–	person	n/a	–	Excellent	Excellent	Went out of his way to help
Nationwide	0500 302010	1	–	person	7.4	–	Excellent	Excellent	Friendly
C&G	0800 742 437	6	1 min	person	7.5	–	Average	Average	Honest – mentioned rates under review
Bradford & Bingley	0345 248 248	1	–	person	7.05	–	Excellent	Excellent	Had all the facts at their fingertips
Bristol & West	0800 202 121	1	–	person	n/a	–	Dreadful	Dreadful	Groaned when size of deposit mentioned
Britannia	0800 132 304	7	–	person	6.25	Ms Emmett	Excellent	Excellent	Keen to praise benefits of mutuality
Woolwich	0800 222 200	1	–	machine	6.75	–	Could improve	Could improve	No access to any information
Yorkshire Bank	0113 247 2 000	4	–	person	3.65	Luv	Average	Average	Branch only open 9am - 3.30pm
Barclays	0800 400 100	1	–	machine, person	4.0	–	Could improve	Average	Business-like and formal
Midland	0800 180 180	1	–	person	4.5	Susan	Could improve	Dreadful	Got the rate wrong
Nat West	0800 505 050	5	7 mins	person	3.85	–	Dreadful	Dreadful	Laughed at size of deposit
Lloyds TSB	0800 147 789	14	6 mins	person	3.1	–	Excellent	Excellent	Well informed and friendly
RBS	0800 880 880	1	–	person	3.85	–	Average	Average	Admitted rate very low
Co-op	0345 252 000	8	3.5 mins	person	5.0	–	Average	Average	Stuck rigidly to prepared text

KEY: Answered by machine Answered by person

Excellent Average Could improve Dreadful

Source: Times